

Mildef Crete Inc. and Its Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report

For the Six Months Ended June 30, 2023 and 2022

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Notice to Reader:

For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Mildef Crete Inc.,

Introduction

We have reviewed the accompanying consolidated balance sheets of Mildef Crete Inc. (the "Company") and its subsidiaries (collectively, the "Group") as of June 30, 2023 and 2022; the relevant consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). It is the management team's responsibility to prepare the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports" by Securities Issuers and the IAS 34 "Interim Financial Reporting", which has been endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Republic of China, to present the consolidated financial position of the Group fairly, while our responsibility is to make a conclusion on the consolidated financial statements based on our review results.

Scope

We conducted our review in accordance with the Standards on Review No. 2410 "Review of Financial Information Performed by the Independent Auditor of the Entity". The procedures performed when we reviewed the consolidated financial statements included inquiries (mainly from personnel in charge of financial and accounting affairs), analytical procedures, and other review procedures. The scope of review work is obviously smaller than that of audit work, so we might not be able to detect all the material matters that could have been identified through audit work, hence we were unable to express an audit opinion.

Conclusion

According to our review results, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC, with a fair presentation of the Group's consolidated financial position as of June 30, 2023 and 2022 as well as consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, and consolidated cash flows for six months ended June 30, 2023 and 2022.

KPMG Taiwan

CPA: Ching-Wen Kao
Mei-Yan Chen

Competent Securities Authority's Jin-Guan-Zheng-VI Zi No. 1060005191
Approval Document No. : (88) Tai-Cai-Zheng (VI) No.18311
August 2, 2023

Mildef Crete Inc. and Its Subsidiaries
Consolidated Balance Sheets
As of June 30, 2023, December 31, 2022, and June 30, 2022

Unit: NT \$1000

Assets		2023.6.30		2022.12.31		2022.6.30		Liabilities and equity		2023.6.30		2022.12.31		2022.6.30			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (Note 6 (1))	\$	436,129	13	488,751	15	380,889	13	2130	Contract liabilities - current (Notes 6 (15) and 7)	\$	257,260	8	246,664	7	266,475	9
1110	Financial assets at fair value through profit or loss								2150	Notes payable		68,734	2	53,211	2	35,162	1
	- current (Note 6 (2))		60,333	2	20,030	1	120,238	4	2170	Accounts payable		153,301	5	149,623	5	103,572	3
1150	Net notes and accounts receivable (Notes 6 (3) and (15))		63,711	2	96,180	3	48,885	1	2209	Accrued expenses (Note 6 (16))		121,305	4	106,484	3	113,484	4
1180	Net accounts receivable - related parties (Notes 6 (3), (15) and 7)		129,101	4	11,683	-	32,114	1	2216	Dividends payables (Note 6 (13))		211,268	6	-	-	217,137	7
130X	Inventories (Note 6 (4))		1,227,027	36	1,041,074	31	1,055,102	35	2220	Other payables-related party (Note 7)		-	-	2,010	-	107	-
1476	Other financial assets - current (Note 6 (1))		206,100	6	206,100	6	246,020	8	2230	Current income tax liabilities		50,005	1	38,596	1	55,307	2
1479	Other current assets		20,960	1	25,299	1	27,378	1	2280	Lease liabilities-current (Note 6 (9))		28,423	1	24,808	1	24,037	1
	Total current assets		2,143,361	64	1,889,117	57	1,910,626	63	2399	Other current liabilities		820	-	394	-	1,023	-
	Non-current assets:								2322	Long-term loans due within one year (Notes 6 (8) and 8)		-	-	-	-	700	-
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))		819,808	25	1,054,500	32	748,414	25		Total		891,116	27	621,790	19	817,004	27
1600	Property, plant and equipment (Notes 6 (5) and 8)		249,567	7	242,500	7	237,839	8	2552	Non-current liabilities:							
1755	Right-of-use assets (Note 6 (6))		63,885	2	49,668	1	47,658	2	2570	Provisions for warrant liabilities (Note 6 (10))		13,202	-	6,855	-	6,441	-
1780	Intangible assets (Note 6 (7))		7,447	-	9,417	-	8,758	-	2580	Deferred income tax liabilities		161,348	5	204,124	6	141,934	5
1840	Deferred income tax assets		64,860	2	64,860	3	68,010	2	2580	Lease liabilities-non-current (Note 6 (9))		35,800	1	25,088	1	23,683	1
1990	Other non-current assets (Note 8)		6,269	-	5,600	-	5,780	-	2640	Net defined benefit liabilities—non-current		27,259	1	28,737	1	45,899	1
	Total non-current assets		1,211,836	36	1,426,545	43	1,116,459	37		Total non-current liabilities		237,609	7	264,804	8	217,957	7
										Total		1,128,725	34	886,594	27	1,034,961	34
										Equity attributed to owners of the parent company (Note 6 (13)):							
									3110	Ordinary share capital		586,855	17	586,855	18	586,855	20
									3200	Capital surplus		74,113	2	72,650	2	72,650	2
									3300	Retained earnings		1,343,651	40	1,372,791	42	1,193,612	40
									3400	Other equity		200,988	6	380,825	11	124,567	4
										Equity attributed to owners of the parent company		2,205,607	65	2,413,121	73	1,977,684	66
									36xx	Non-controlling interests		20,865	1	15,947	-	14,440	-
										Total equity		2,226,472	66	2,429,068	73	1,992,124	66
	Total	\$	3,355,197	100	3,315,662	100	3,027,085	100		Total liabilities and equity	\$	3,355,197	100	3,315,662	100	3,027,085	100

(Please refer to notes to the consolidated financial statements for details)

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

Mildef Crete Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months and Six Months Ended June 30, 2023 and 2022

Unit: NT \$1000

		For the Three Months Ended June 30, 2023		For the Three Months Ended June 30, 2022		For the Six Months Ended June 30, 2023		For the Six Months Ended June 30, 2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Notes 6 (15), 7 and 14)	\$ 686,793	100	698,788	100	1,321,404	100	1,245,451	100
5000	Operating cost (Notes 6(4), (6), (9), (10), (11), (16), 7, and 12)	<u>458,285</u>	<u>67</u>	<u>568,118</u>	<u>81</u>	<u>969,021</u>	<u>73</u>	<u>1,041,784</u>	<u>84</u>
	Gross operating profit	<u>228,508</u>	<u>33</u>	<u>130,670</u>	<u>19</u>	<u>352,383</u>	<u>27</u>	<u>203,667</u>	<u>16</u>
	Operating expenses (Note 6 (6), (9), (11), (16), 7, and 12):								
6100	Selling and marketing expenses	38,949	6	44,310	6	75,123	5	84,403	7
6200	General and administrative expenses	14,028	2	9,095	1	23,465	2	15,687	1
6300	Research and development expenses	<u>19,857</u>	<u>3</u>	<u>17,210</u>	<u>3</u>	<u>37,144</u>	<u>3</u>	<u>32,946</u>	<u>2</u>
	Total operating expenses	<u>72,834</u>	<u>11</u>	<u>70,615</u>	<u>10</u>	<u>135,732</u>	<u>10</u>	<u>133,036</u>	<u>10</u>
	Net operating profit	<u>155,674</u>	<u>22</u>	<u>60,055</u>	<u>9</u>	<u>216,651</u>	<u>17</u>	<u>70,631</u>	<u>6</u>
	Non-operating income and expenses:								
7100	Interest income (Note 6 (17))	3,142	-	2,263	-	5,031	-	4,488	-
7010	Other income (Note 6 (17))	159	-	9,327	1	452	-	9,981	1
7020	Other gains and losses (Note 6 (17))	6,441	2	4,101	1	5,286	-	10,259	1
7510	Finance costs (Note 6 (9) and (17))	<u>(190)</u>	<u>-</u>	<u>(201)</u>	<u>-</u>	<u>(382)</u>	<u>-</u>	<u>(368)</u>	<u>-</u>
	Total non-operating income and expenses	<u>9,552</u>	<u>2</u>	<u>15,490</u>	<u>2</u>	<u>10,387</u>	<u>-</u>	<u>24,360</u>	<u>2</u>
	Net profit before tax	165,226	24	75,545	11	227,038	17	94,991	8
7951	Minus: Income tax expense (Note 6 (12))	<u>33,790</u>	<u>5</u>	<u>36,055</u>	<u>5</u>	<u>47,439</u>	<u>4</u>	<u>40,297</u>	<u>4</u>
	Current net profit	<u>131,436</u>	<u>19</u>	<u>39,490</u>	<u>6</u>	<u>179,599</u>	<u>13</u>	<u>54,694</u>	<u>4</u>
8300	Other comprehensive income/(loss):								
8310	Items not reclassified as income and loss								
	Unrealized gain (loss) on investments in equity instruments as								
8316	at fair value through other comprehensive income	(77,121)	(11)	(106,678)	(15)	(213,879)	(16)	24,391	2
	Minus: Income tax relating to items that will not be reclassified								
8349	subsequently to profit or loss (Note 6 (12))	<u>(15,424)</u>	<u>(2)</u>	<u>(21,336)</u>	<u>(3)</u>	<u>(42,776)</u>	<u>(3)</u>	<u>4,878</u>	<u>-</u>
	Total amount of items not reclassified to profit or loss	<u>(61,697)</u>	<u>(9)</u>	<u>(85,342)</u>	<u>(12)</u>	<u>(171,103)</u>	<u>(13)</u>	<u>19,513</u>	<u>2</u>
8360	Items that may be reclassified subsequently to profit or loss								
	Exchange differences arising from the translation of the financial								
8361	statements of foreign operations	148	-	-	-	(172)	-	-	-
	Minus: Income tax relating to items that may be reclassified								
8399	subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total amount of items that may be reclassified subsequently to profit or loss	<u>148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(172)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income/(loss)	<u>(61,549)</u>	<u>(9)</u>	<u>(85,342)</u>	<u>(12)</u>	<u>(171,275)</u>	<u>(13)</u>	<u>19,513</u>	<u>2</u>
	Total amount of other current comprehensive gains and losses	<u>\$ 69,887</u>	<u>10</u>	<u>(45,852)</u>	<u>(6)</u>	<u>8,324</u>	<u>-</u>	<u>74,207</u>	<u>6</u>
	Net profit/(loss) attributable to								
8610	Owners of the Parent Company	\$ 127,573	18	35,875	5	173,566	13	49,091	4
8620	Non-controlling interests	<u>3,863</u>	<u>1</u>	<u>3,615</u>	<u>1</u>	<u>6,033</u>	<u>-</u>	<u>5,603</u>	<u>-</u>
		<u>\$ 131,436</u>	<u>19</u>	<u>39,490</u>	<u>6</u>	<u>179,599</u>	<u>13</u>	<u>54,694</u>	<u>4</u>
	Total comprehensive income/(loss) attributable to:								
8710	Owners of the Parent Company	\$ 66,024	9	(49,467)	(7)	2,291	-	68,604	6
8720	Non-controlling interests	<u>3,863</u>	<u>1</u>	<u>3,615</u>	<u>1</u>	<u>6,033</u>	<u>-</u>	<u>5,603</u>	<u>-</u>
		<u>\$ 69,887</u>	<u>10</u>	<u>(45,852)</u>	<u>(6)</u>	<u>8,324</u>	<u>-</u>	<u>74,207</u>	<u>6</u>
	Earnings per share (NT\$: Note 6 (14))								
	Basic earnings per share	<u>\$ 2.17</u>		<u>0.61</u>		<u>2.96</u>		<u>0.84</u>	
	Diluted earnings per share	<u>\$ 2.16</u>		<u>0.61</u>		<u>2.92</u>		<u>0.83</u>	

(For details, please refer to notes to the consolidated financial statements)

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of changes in equity
For the Six Months Ended June 30, 2023 and 2022

Unit: NT \$1000

	Retained earnings						Other Equity Items						
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropri ated earnings	Total	Exchange differences arising from the translation of Financial Report of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Defined benefits plans remeasure ment	Total	Total equity attributable to owners of the parent company	Non-contro lling interests	Total equity
Balance on January 1, 2022	\$ 586,855	72,650	456,181	44,942	860,535	1,361,658	-	124,06	(19,010)	105,054	2,126,217	13,973	2,140,190
Current net profit	-	-	-	-	49,091	49,091	-	-	-	-	49,091	5,603	54,694
Other comprehensive income/(loss)	-	-	-	-	-	-	-	19,51	-	19,513	19,513	-	19,513
Total amount of other current comprehensive gains and losses	-	-	-	-	49,091	49,091	-	19,51	-	19,513	68,604	5,603	74,207
Appropriation and distribution of earnings:													
Legal reserve	-	-	63,570	-	(63,570)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(44,942)	44,942	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(217,137)	(217,137)	-	-	-	-	(217,137)	-	(217,137)
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,136)	(5,136)
Balance on June 30, 2022	\$ 586,855	72,650	519,751	-	673,861	1,193,612	-	143,57	(19,010)	124,567	1,977,684	14,440	1,992,124
Balance on January 1, 2023	\$ 586,855	72,650	519,751	-	853,040	1,372,791	-	387,47	(6,648)	380,825	2,413,121	15,947	2,429,068
Current net profit	-	-	-	-	173,566	173,566	-	-	-	-	173,566	6,033	179,599
Other comprehensive income/(loss)	-	-	-	-	-	-	(172)	(171,102	-	(171,275)	(171,275)	-	(171,275)
Total amount of other current comprehensive gains and losses	-	-	-	-	173,566	173,566	(172)	(171,102	-	(171,275)	2,291	6,033	8,324
Appropriation and distribution of earnings:													
Legal reserve	-	-	22,827	-	(22,827)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(211,268)	(211,268)	-	-	-	-	(211,268)	-	(211,268)
Differences between equity price paid and book value of subsidiaries disposed of	-	1,463	-	-	-	-	-	-	-	-	1,463	(1,463)	-
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,692)	(4,692)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	5,040	5,040
Disposal of equity instruments designated at fair value through other comprehensive income/(loss)(Note 6 (2))	-	-	-	-	8,562	8,562	-	(8,562	-	(8,562)	-	-	-
Balance on June 30, 2023	\$ 586,855	74,113	542,578	-	801,073	1,343,651	(172)	207,80	(6,648)	200,988	2,205,607	20,865	2,226,472

(Please refer to notes to the consolidated financial statements for details)

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of cash flows
For the Six Months Ended June 30, 2023 and 2022

Unit: NT \$1000

	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Cash flows from operating activities:		
Net income before tax	\$ 227,038	94,991
Adjustments for:		
Profit and loss		
Depreciation expense	25,893	23,986
Amortization expense	2,714	2,607
Net gain on financial assets at fair value through profit or loss	(303)	(173)
Interest expense	382	368
Interest income	(5,031)	(4,488)
Others	-	(48)
Total profit/(loss)	23,655	22,252
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	32,469	16,471
Accounts receivable from related parties	(117,418)	(25,738)
Inventories	(185,953)	(153,942)
Other current assets	4,339	(7,418)
Total net changes in assets related to operating activities	(266,563)	(170,627)
Net changes in liabilities related to operating activities		
Contract liabilities	10,596	2,564
Notes payable	15,523	10,574
Accounts payable	3,678	(2,583)
Other payable by related parties	(2,010)	107
Provisions for warranty liabilities	6,347	1,906
Accrued expenses and other current liabilities	15,247	(2,048)
Net defined benefit liabilities	(1,478)	(7,084)
Total amount of net changes in liabilities related to operating activities	47,903	3,436
Total amount of net changes in assets and liabilities related to operating activities	(218,660)	(167,191)
Total adjustments	(195,005)	(144,939)
Cash generated from/(used in) operations	32,033	(49,948)
Interest received	5,031	4,488
Income tax paid	(36,030)	(43,909)
Net cash inflow (outflow) from operating activities	1,034	(89,369)
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	20,813	-
Purchase of financial assets at fair value through profit or loss	(40,000)	-
Acquisition of property, plant and equipment	(16,585)	(4,295)
Disposal of property, plant and equipment	-	152
Acquisition of intangible assets	(744)	(3,600)
Increase in other non-current assets	(669)	(180)
Net cash outflow from investing activities	(37,185)	(7,923)
Cash flows from financing activities:		
Repayments of long-term loans	-	(1,051)
Payment of the principal portion of lease liabilities	(16,265)	(15,350)
Dividends paid to non-controlling interests	(4,692)	(5,136)
Disposal of equity in subsidiaries (without control lost)	5,040	-
Interests paid	(382)	(368)
Net cash outflow from financing activities	(16,299)	(21,905)
Effect of exchange rate changes on cash and cash equivalents	(172)	-
Decrease in cash and cash equivalents in this period	(52,622)	(119,197)
Opening balance of cash and cash equivalents in the consolidated statements of cash flows	488,751	500,086
Closing balance of cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 436,129</u>	<u>380,889</u>

(Please refer to notes to the consolidated financial statements for details)

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

Mildef Crete Inc. and Its Subsidiaries Notes to the Consolidated Financial Statements For the Six Months Ended June 30, 2023 and 2022 (In thousands of NTD, except otherwise specified)

I. Company History

Mildef Crete Inc. (hereinafter referred to as the “Company”) was incorporated on March 15, 1990 with the approval of the Ministry of Economic Affairs. Its registered address is 7F, No. 250, Section 3, Beishen Road, Shenkeng District, New Taipei City. The Company and its subsidiaries (hereinafter referred to as the “Group”) mainly engage in the research, design, planning, manufacturing, sales, and import and export of various computer software and hardware and components thereof, as well as computer hardware and software combination, manufacturing, installation, and consulting services, and investment in relevant businesses.

II. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved and released by the Board of Directors on August 2, 2023.

III. Application of New and Amended Standards and Interpretations

- (I) Effect of the application of new and amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) as endorsed by the Financial Supervisory Commission (FSC)

The Group has applied the following newly revised IFRS since January 1, 2023, which has not caused any material impact on its consolidated financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

- (II) New and amended standards and interpretations not yet endorsed by the FSC

The Group does not expect that the new and amended standards below not yet endorsed by the FSC will have a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

- Amendments to IAS 1 “Non-current Liabilities with Contractual Terms”
- Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- Amendments to IAS 7 and IFRS 7 “supplier finance arrangements”
- Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

IV. Summary of Significant Accounting Policies

Except as stated below, the significant accounting policies adopted in the consolidated statements are the same as those in the 2022 consolidated financial statements. Please refer to Note 4 to the 2022 consolidated financial statements for relevant information.

(I) Declaration of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. This consolidated financial statements do not include all the necessary information shall be disclosed in the entire annual consolidated financial statements prepared in accordance with the IFRSs approved and issued into effect by the FSC.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements include:

Name of investor	Name of subsidiary	Nature of business	% of equity held			Description
			2023.6.30	2022.12.31	2022.6.30	
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	57.7%	65.3%	65.3%	
The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	Sale of rugged products	100%	- %	- %	(Note)

(Note) It was established with the Company’s investment on January 5, 2023.

2. Subsidiaries not included in the consolidated financial statements: None.

(III) Employee benefits

The pension under the defined benefit plan during the interim period is calculated at actuarially determined pension cost rate on the balance sheet date of the prior year, from the beginning of the year to the end of this period and adjusted as per major market fluctuations after the balance sheet date, major reductions, settlements, or other major one-off events.

(IV) Income tax

The Group measured and disclosed income tax expense incurred during the interim period in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”. Income tax expense is measured by multiplying the net income before tax for the interim reporting

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

period by the management team's best estimate of the expected effective tax rate for the entire year and is fully recognized as current income tax expense.

Income tax expense recognized directly in equity or other comprehensive income is measured at the tax rate that is expected to be applicable when temporary differences between the carrying amounts of the relevant assets and liabilities and their tax bases at the balance sheet date are realized or settled.

V. Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

In preparing the consolidated financial statements, the management should exercise judgments and make estimates and assumptions in accordance with the IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC, which will affect the adoption of accounting policies and the amounts of assets, liabilities, income, and expenses reported. Actual results may differ from estimates.

When the consolidated financial statements were prepared, the critical judgments exercised by the management in adopting the Group's accounting policies and the key sources of estimation uncertainty are consistent with Note 5 to the 2022 consolidated financial statements.

VI. Description of Significant Accounts

Except as stated below, there is no significant difference between the description of important accounting titles in these consolidated financial statements and the 2022 consolidated financial statements. Please refer to Note 6 to the 2022 consolidated financial statements for relevant information.

(I) Cash and cash equivalents

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Cash on hand	\$ 432	381	377
Checking deposit and demand deposit	435,697	488,370	380,512
	<u>\$ 436,129</u>	<u>488,751</u>	<u>380,889</u>

The Group's bank time deposits with the initial duration of more than three months as of June 30, 2023, December 31, 2022, and June 30, 2022 were NT\$206,100,000, NT\$206,100,000, and NT\$246,020,000, respectively, which are recognized in other financial assets – current.

(II) Financial instruments

1. Financial assets at fair value through profit or loss - current

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Money funds	<u>\$ 60,333</u>	<u>20,030</u>	<u>120,238</u>

Please refer to Note 6(17) for the amount re-measured at fair value and recognized in profit or loss.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

2. Financial assets at fair value through other comprehensive income - non-current

	2023.6.30	2022.12.31	2022.6.30
Unlisted stocks	\$ 19,819	19,819	24,683
Overseas stocks	799,989	1,034,681	723,731
Total	<u>\$ 819,808</u>	<u>1,054,500</u>	<u>748,414</u>

The above equity instrument investments by the Group are long-term strategic investments and are not held for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

During the six months ended June 30, 2023, the Group sold part of the stocks of the above overseas listed stocks as an investment strategy. The fair value upon disposal was NT\$20,813,000, and the cumulative disposal gain was NT\$8,562,000. The aforementioned cumulative gain has been reclassified from other equity to retained earnings. The Group did not dispose of its strategic investments during the six months ended June 30, 2022, nor reclassify the cumulative gains and losses within equity during these periods.

Information on significant equity investments in foreign currencies on the balance sheet date is as follows:

	2023.6.30			2022.12.31			2022.6.30		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
EUR	\$ 556	33.81	18,819	575	32.72	18,819	763	31.05	23,683
SEK	278,742	2.87	799,989	351,932	2.94	1,034,681	248,705	2.91	723,731

As of June 30, 2023, December 31, 2022 and June 30, 2022, none of the Group's financial assets above had been pledged as collateral.

(III) Notes and accounts receivable (related parties)

	2023.6.30	2022.12.31	2022.6.30
Notes and accounts receivable	\$ 63,711	96,180	49,608
Accounts receivable - related parties	129,101	11,683	32,114
Less: Allowance for losses	-	-	(723)
	<u>\$ 192,812</u>	<u>107,863</u>	<u>80,999</u>

The Group estimated expected credit losses using a simplified approach for all notes and accounts receivable, i.e., using lifetime expected credit losses, and included forward-looking information. The analysis of expected credit losses on the Group's notes and accounts receivable is as follows:

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

	2023.6.30		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 192,809	0.00001%	-
Overdue for 1 to 30 days	3	0.00011%	-
	<u>\$ 192,812</u>		<u>-</u>
	2022.12.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 107,212	0.00001%	-
Overdue for 1 to 30 days	651	0.00011%	-
	<u>\$ 107,863</u>		<u>-</u>
	2022.6.30		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 71,196	0.00001%	-
Overdue for 1 to 30 days	9,803	0.000012%	-
Overdue for more than 365 days	723	100%	723
	<u>\$ 81,722</u>		<u>723</u>

There was no change in the Group's allowance for notes receivable and accounts receivable during the six months ended June 30, 2023 and 2022. The relevant circumstances are as follows:

	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Ending balance (i.e. opening balance)	<u>\$ -</u>	<u>723</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

(IV) Inventories

	2023.6.30	2022.12.31	2022.6.30
Merchandise	\$ 188,828	181,946	203,536
Finished goods	7,582	4,175	5,344
Semi-finished goods	143,617	155,100	183,106
Work in process	393,599	237,646	240,863
Raw materials	493,401	462,207	422,253
	<u>\$ 1,227,027</u>	<u>1,041,074</u>	<u>1,055,102</u>

The costs of inventories recognized in profit and loss in the current period are as follows:

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Costs of inventories sold	\$ 464,531	559,765	941,278	1,046,920
Warranty provision (reversal)	(2,062)	(1,353)	7,638	3,247
Inventory valuation loss (gain on reversal)	(4,184)	9,706	20,105	(8,383)
	<u>\$ 458,285</u>	<u>568,118</u>	<u>969,021</u>	<u>1,041,784</u>

The above inventory valuation loss (gain on reversal) refers to the inventory valuation loss recognized by the Group due to the write-down of the inventory to the net realizable value; or it is due to the fact that the inventory at the beginning of the period was sold in the current period, resulting in a decrease in the allowance for inventory valuation loss that should be recognized at the end of the period, so the gain on reversal occurred and was recognized under the accounts of operating costs.

(V) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transport -ation equipment	Office equipment	Other equipment	Total
Cost:							
Balance on January 1, 2023	\$ 147,478	72,775	93,919	7,567	762	83,242	405,743
Additions	-	2,413	3,732	-	1,367	9,073	16,585
Disposal	-	-	-	-	-	(4,746)	(4,746)
Balance on June 30, 2023	<u>\$ 147,478</u>	<u>75,188</u>	<u>97,651</u>	<u>7,567</u>	<u>2,129</u>	<u>87,569</u>	<u>417,582</u>
Balance on January 1, 2022	\$ 147,478	72,299	89,500	7,252	762	71,273	388,564
Additions	-	-	488	695	-	3,112	4,295
Disposal	-	-	-	(380)	-	-	(380)
Balance on June 30, 2022	<u>\$ 147,478</u>	<u>72,299</u>	<u>89,988</u>	<u>7,567</u>	<u>762</u>	<u>74,385</u>	<u>392,479</u>
Accumulated depreciation:							
Balance on January 1, 2023	\$ -	27,169	64,497	4,969	453	66,155	163,243
Depreciation	-	1,296	2,954	524	52	4,692	9,518

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

Disposal	-	-	-	-	-	(4,746)	(4,746)
Balance on June 30, 2023	<u>\$ -</u>	<u>28,465</u>	<u>67,451</u>	<u>5,493</u>	<u>505</u>	<u>66,101</u>	<u>168,015</u>
Balance on January 1, 2022	\$ -	24,824	58,497	4,038	405	58,562	146,326
Depreciation	-	1,165	2,976	596	27	3,822	8,586
Disposal	-	-	-	(272)	-	-	(272)
Balance on June 30, 2022	<u>\$ -</u>	<u>25,989</u>	<u>61,473</u>	<u>4,362</u>	<u>432</u>	<u>62,384</u>	<u>154,640</u>
Book value:							
June 30, 2023	<u>\$ 147,478</u>	<u>46,723</u>	<u>30,200</u>	<u>2,074</u>	<u>1,624</u>	<u>21,468</u>	<u>249,567</u>
January 1, 2023	<u>\$ 147,478</u>	<u>45,606</u>	<u>29,422</u>	<u>2,598</u>	<u>309</u>	<u>17,087</u>	<u>242,500</u>
June 30, 2022	<u>\$ 147,478</u>	<u>46,310</u>	<u>28,515</u>	<u>3,205</u>	<u>330</u>	<u>12,001</u>	<u>237,839</u>

Please refer to Note 8 for the details of the machinery and equipment used by the Group as collateral for borrowings from non-financial institutions.

(VI) Right-of-use assets

	<u>Buildings</u>
Cost of right-of-use assets:	
Balance on January 1, 2023	\$ 141,471
Additions	30,593
Decrease	(1,777)
Effect of exchange rate changes	(1)
Balance on June 30, 2023	<u>\$ 170,286</u>
Balance on January 1, 2022	\$ 137,776
Additions	17,019
Lease modification	680
Decrease	(31,866)
Balance on June 30, 2022	<u>\$ 123,609</u>
Accumulated depreciation of right-of-use assets:	
Balance on January 1, 2023	\$ 91,803
Depreciation in this period	16,375
Decrease	(1,777)
Balance on June 30, 2023	<u>\$ 106,401</u>
Balance on January 1, 2022	\$ 86,265
Depreciation in this period	15,400
Decrease	(25,714)
Balance on June 30, 2022	<u>\$ 75,951</u>
Book value:	
June 30, 2023	<u>\$ 63,885</u>
January 1, 2023	<u>\$ 49,668</u>
June 30, 2022	<u>\$ 47,658</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

(VII) Intangible assets

	<u>Computer software</u>
Carrying amount:	
June 30, 2023	<u>\$ 7,447</u>
January 1, 2023	<u>\$ 9,417</u>
June 30, 2022	<u>\$ 8,758</u>

There was no significant addition, disposal, provision for impairment, or reversal of the Group's intangible assets during the six months ended June 30, 2023 and 2022. Please refer to the depreciation amount for the current period. Please refer to Note 12(1) for the amortization amount in this period. Please refer to Note 6(8) to the 2022 consolidated financial statements for other relevant information.

(VIII) Long-term borrowings

	<u>2022.6.30</u>			
	<u>Currency of borrowings</u>	<u>Interest rate range</u>	<u>Year in which borrowings are due</u>	<u>Amount</u>
Secured borrowings from non-financial institutions	NTD	3.79%	109~111	\$ 700
Less: The current portion				<u>(700)</u>
Total				<u>\$ -</u>
Facilities undrawn				<u>\$ -</u>

1. Increase in and repayment of borrowings

It is a loan from subsidiary Flexbasis from Shinshin Credit Corporation (a subsidiary of Taiwan Acceptance Corporation) in 2019. The amount repaid during the six months ended June 30, 2022 was NT\$1,051,000. Please refer to Note 6(17) for details of interest expenses. The loan was fully repaid in the fourth quarter of 2022.

2. Collateral for borrowings from non-financial institutions

Please refer to Note 8 for the details of subsidiary Flexbasis's assets pledged as collateral for the above-mentioned loan. The guarantee was canceled on December 21, 2022.

(IX) Lease liabilities

The carrying amounts of the Group's lease liabilities are as follows:

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Current	<u>\$ 28,423</u>	<u>24,808</u>	<u>24,037</u>
Non-current	<u>\$ 35,800</u>	<u>25,088</u>	<u>23,683</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

The amounts of leases recognized in profit or loss are as follows:

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Interest expenses on lease liabilities	<u>\$ 183</u>	<u>171</u>	<u>368</u>	<u>309</u>
Short-term lease expenses	<u>\$ 55</u>	<u>194</u>	<u>258</u>	<u>275</u>
COVID-19-related rent concessions	<u>\$ -</u>	<u>46</u>	<u>15</u>	<u>102</u>

The amounts recognized in the cash flow statement are as follows:

	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Total cash outflow from leases	<u>\$ 16,891</u>	<u>15,934</u>

The Group leases the stores and plants usually over lease terms ranging from one to three years. At the end of a lease term, the lease term and rent need to be re-negotiated.

The Consolidated Company chose to apply the exemption from recognizing its relevant right-of-use assets and lease liabilities for parking space, which are short-term leases.

(X) Provision for Liabilities

	Warranty
Balance on January 1, 2023	\$ 6,855
Provision for new liabilities in the current period	7,638
Provision for liabilities used in the current period	<u>(1,291)</u>
Balance on June 30, 2023	<u>\$ 13,202</u>
Balance on January 1, 2022	\$ 4,535
Provision for new liabilities in the current period	3,247
Provision for liabilities used in the current period	<u>(1,341)</u>
Balance on June 30, 2022	<u>\$ 6,441</u>

The provisions for guarantee liabilities of the are mainly related to computer sales. The provision for guarantee liabilities is estimated based on the historical guarantee data of the goods sold. The Group expects that most of the liabilities will occur successively 1-2 years after the sales.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

(XI) Employee benefits

1. Defined benefit plan

As there were no major market fluctuation, major reduction, settlement, or other major one-off events after the balance sheet date of the prior year, the Group measured and disclosed pension costs for interim periods at the actuarially determined pension costs on December 31, 2022 and 2021.

The details of pension expenses under the Group's defined benefit plan are as follows:

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Operating costs	\$ 74	41	145	74
Operating expenses	79	69	159	146
	<u>\$ 153</u>	<u>110</u>	<u>304</u>	<u>220</u>

2. Defined contribution plan

The details of pension expenses under the Group's defined contribution plan are as follows:

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Operating costs	\$ 934	868	1,805	1,728
Operating expenses	1,987	1,941	3,916	3,928
	<u>\$ 2,921</u>	<u>2,809</u>	<u>5,721</u>	<u>5,656</u>

(XII) Income tax

1. The details of the Group's income tax expenses are as follows:

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Current income tax expenses				
Incurred in current period	\$ 33,790	16,058	47,439	20,300
Unappropriated earnings	-	19,997	-	19,997
Income tax expenses	<u>\$ 33,790</u>	<u>36,055</u>	<u>47,439</u>	<u>40,297</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

2. The details of income tax expenses (benefits) recognized by the Group in other comprehensive income are as follows:

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Financial assets at fair value through other comprehensive income	\$ (15,424)	(21,336)	(42,776)	4,878

3. The Company has submitted tax return applications until the year of 2021, as prescribed by the tax authority, upon settlement and audit.

(XIII) Capital and other equity

Except as stated below, there was no significant change in the Group's capital and other equity during the six months ended June 30, 2023 and 2022. Please refer to Note 6(14) to the 2022 consolidated financial statements for relevant information.

Earnings distribution:

As per the Articles of Incorporation, the Company shall pay the tax first to make up for the previous losses if there are any earnings in the Company's annual general final accounts, and it shall then set aside 10% of the legal reserve. However, it may not set aside when the legal reserve has reached the amount of the paid-in capital of the Company. Furthermore, after the special reserve is set aside or reversed depending on the needs or as per laws and regulations, any remaining profit, together with any cumulative undistributed earnings, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution.

The general shareholders' meeting passed the resolutions for the 2022 and 2021 earnings distribution proposal on June 14, 2023 and June 9, 2022, respectively. The dividends distributed to owners are as follows:

	2022	2021
	Dividend per share (NTD)	Dividend per share (NTD)
	Amount	Amount
Dividends distributed to owners of ordinary shares:		
Cash	\$ 3.60 <u>\$ 211,268</u>	3.70 <u>217,137</u>

Relevant information of the earnings distribution is available on the Market Observation Post System (MOPS).

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

(XIV) Earnings per share

1. Basic earnings per share

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Net income attributable to holders of the Company's ordinary shares	<u>\$ 127,573</u>	<u>35,875</u>	<u>173,566</u>	<u>49,091</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	<u>58,685</u>	<u>58,685</u>	<u>58,685</u>	<u>58,685</u>
Basic earnings per share (NTD)	<u>\$ 2.17</u>	<u>0.61</u>	<u>2.96</u>	<u>0.84</u>

2. Diluted earnings per share

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Net income attributable to holders of the Company's ordinary shares	<u>\$ 127,573</u>	<u>35,875</u>	<u>173,566</u>	<u>49,091</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685	58,685	58,685
The effect of employee remuneration	<u>387</u>	<u>220</u>	<u>668</u>	<u>507</u>
Weighted average number of outstanding ordinary shares (after adjustment for the effect of potentially dilutive ordinary shares)	<u>59,072</u>	<u>58,905</u>	<u>59,353</u>	<u>59,192</u>
Diluted earnings per share (NTD)	<u>\$ 2.16</u>	<u>0.61</u>	<u>2.92</u>	<u>0.83</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

(XV) Revenue from customer contracts

1. Breakdown of income

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Major sales market:				
Taiwan	\$ 472,603	569,045	918,704	1,048,437
Germany	165,535	73,209	236,596	92,929
The UK	18,289	5,739	87,089	13,844
Sweden	29,087	19,568	53,575	36,337
The U.S.	983	27,233	14,904	48,946
Others	296	3,994	10,536	4,958
Total	<u><u>\$ 686,793</u></u>	<u><u>698,788</u></u>	<u><u>1,321,404</u></u>	<u><u>1,245,451</u></u>
Main product/service lines:				
Business computer	\$ 340,513	515,127	703,338	948,992
Rugged computer	331,891	164,622	589,031	259,617
Repair and maintenance services and others	14,389	19,039	29,035	36,842
	<u><u>\$ 686,793</u></u>	<u><u>698,788</u></u>	<u><u>1,321,404</u></u>	<u><u>1,245,451</u></u>

2. Contract balance

	2023.6.30	2022.12.31	2022.6.30
Notes and accounts receivable (related parties)	\$ 192,812	107,863	81,722
Less: Allowance for losses	-	-	(723)
Total	<u><u>\$ 192,812</u></u>	<u><u>107,863</u></u>	<u><u>80,999</u></u>
Contract liabilities (including related parties)	<u><u>\$ 257,260</u></u>	<u><u>246,664</u></u>	<u><u>266,475</u></u>

Please refer to Note 6(3) for the notes and accounts receivable (including related parties) and impairment thereof disclosed.

The contract liabilities mainly arise from advances received from the sales of rugged computers, which will be reclassified to revenue when the Group delivers the products to clients. The opening balances of contract liabilities as at January 1, 2023 and 2022 recognized in income for the six months ended June 30, 2023 and 2022 were NT\$47,453,000 and NT\$41,338,000, respectively.

(XVI) Remuneration to employees and directors

In accordance with the provisions of the Articles of Incorporation of the Company, in case

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

of profit earned in the year, 5% ~ 10% of the profit shall be allocated as employee's remuneration, while no more than 3% of the profit shall be allocated as the director's remuneration. However, it shall reserve an amount to compensate a deficit in advance if the Company has a cumulative deficit. The recipients of the employee remuneration in stock or cash in the preceding paragraph include employees at subsidiaries who meet certain criteria. The estimated amounts of the Company's employee remuneration for the three months and six months ended June 30, 2023 and 2022 were NT\$17,150,000, NT\$7,566,000, NT\$23,373,000, and NT\$9,348,000, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$3,437,000, NT\$1,517,000, NT\$4,684,000 and NT\$1,874,000, respectively. The amounts were estimated based on the Company's net income before tax before the remuneration to employees and directors was deducted for each period, multiplied by the percentages of the profit for employee and directors' remuneration as stipulated in the Company's Articles of Incorporation, and the amounts were recognized in operating costs or operating expenses for the period. If there is a difference between the amounts distributed in the following year and the estimated amounts, it will be treated as a change in accounting estimates, and the difference will be recognized in profit and loss for the following year.

The estimated amounts of the Company's 2022 and 2021 employee remuneration were NT\$31,608,000 and NT\$42,242,000, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$6,335,000 and NT\$7,312,000, respectively. The amounts are the same as those resolved by the Board of Directors and all were distributed in cash. Relevant information is available on the MOPS.

(XVII) Non-operating income and expenses

1. Interest income

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Interest income from cash in banks	\$ 2,117	712	2,856	1,199
Other interest income	<u>1,025</u>	<u>1,551</u>	<u>2,175</u>	<u>3,289</u>
	<u>\$ 3,142</u>	<u>2,263</u>	<u>5,031</u>	<u>4,488</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

2. Other income

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Dividend income	\$ -	9,130	-	9,130
COVID-19-related rent concessions	-	46	15	102
Others	<u>159</u>	<u>151</u>	<u>437</u>	<u>749</u>
	<u>\$ 159</u>	<u>9,327</u>	<u>452</u>	<u>9,981</u>

3. Other gains and losses

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Foreign exchange gains	\$ 6,256	3,993	5,002	10,038
Net gain on financial assets at fair value through profit or loss	181	104	303	173
Others	<u>4</u>	<u>4</u>	<u>(19)</u>	<u>48</u>
	<u>\$ 6,441</u>	<u>4,101</u>	<u>5,286</u>	<u>10,259</u>

4. Financial cost

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Interest expense:				
Borrowings from non-financial institutions	\$ -	(26)	-	(52)
Lease liabilities	(183)	(171)	(368)	(309)
Others	<u>(7)</u>	<u>(4)</u>	<u>(14)</u>	<u>(7)</u>
	<u>\$ (190)</u>	<u>(201)</u>	<u>(382)</u>	<u>(368)</u>

(XVIII) Financial instruments

Except as stated below, there was no significant change in the fair value of the Group's

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

financial instruments and exposure to credit risk, liquidity risk, and market risk due to the financial instruments held. Please refer to Note 6(19) to the 2022 consolidated financial statements for relevant information.

1. Types of financial instruments

(1) Financial assets

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Financial assets at fair value			
through profit or loss - current:			
Money funds	\$ 60,333	20,030	120,238
Financial assets at fair value			
through other comprehensive			
income - non-current:			
Unlisted stocks	19,819	19,819	24,683
Overseas listed stocks	799,989	1,034,681	723,731
Financial assets at amortized cost:			
Cash and cash equivalents	436,129	488,751	380,889
Notes and accounts receivable			
(related parties)	192,812	107,863	80,999
Other financial assets - current	206,100	206,100	246,020
Other current assets - guarantee			
deposits paid	6,269	5,600	5,780
Total	<u>\$ 1,721,451</u>	<u>1,882,844</u>	<u>1,582,340</u>

(2) Financial liabilities

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Financial liabilities at			
amortized cost:			
Borrowings from	\$ -	-	700
non-financial			
institutions			
Lease liabilities	64,223	49,896	47,720
Payables	554,608	311,328	469,462
Total	<u>\$ 618,831</u>	<u>361,224</u>	<u>517,882</u>

2. Liquidity risk

The contractual maturity of the Consolidated Company's financial liabilities is analyzed as follows:

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 year(s)	2 - 5 year(s)	Over 5 years
June 30, 2023						
Notes and accounts payable (including related parties)	\$ (222,035)	(222,035)	-	-	-	-
Lease liabilities	(65,923)	(16,108)	(13,127)	(20,233)	(16,455)	-
Other payables (including related parties)	(332,573)	(332,573)	-	-	-	-
	<u>\$ (620,531)</u>	<u>(570,716)</u>	<u>(13,127)</u>	<u>(20,233)</u>	<u>(16,455)</u>	<u>-</u>
December 31, 2022						
Notes and accounts payable (including related parties)	\$ (202,834)	(202,834)	-	-	-	-
Lease liabilities	(50,907)	(15,744)	(9,567)	(12,783)	(12,813)	-
Other payables (including related parties)	(108,494)	(108,494)	-	-	-	-
	<u>\$ (362,235)</u>	<u>(327,072)</u>	<u>(9,567)</u>	<u>(12,783)</u>	<u>(12,813)</u>	<u>-</u>
June 30, 2022						
Notes and accounts payable (including related parties)	\$ (138,734)	(138,734)	-	-	-	-
Lease liabilities	(48,837)	(13,361)	(11,202)	(9,476)	(14,798)	-
Borrowings from non-financial institutions	(705)	(705)	-	-	-	-
Other payables (including related parties)	(330,728)	(330,728)	-	-	-	-
	<u>\$ (519,004)</u>	<u>(483,528)</u>	<u>(11,202)</u>	<u>(9,476)</u>	<u>(14,798)</u>	<u>-</u>

The Consolidated Company does not expect the cash flows analyzed at maturity to be materially earlier or the actual amount to be materially different.

3. Exchange rate risk

The Group's financial assets and liabilities exposed to significant foreign currency exchange rate risk are as follows:

Exchange rate risk areas follows:										
		2023.6.30			2022.12.31			2022.6.30		
		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial</u>										
<u>assets</u>										
<u>Monetary</u>										
<u>item</u>										
USD	\$	8,271	31.14	257,559	4,819	30.71	147,991	3,543	29.72	105,298
<u>Financial</u>										
<u>liabilities</u>										
<u>Monetary</u>										
<u>item</u>										
USD		29	31.14	903	18	30.71	553	27	29.72	802

The Group's exchange rate risk mainly comes from cash and cash equivalents, accounts receivable (including related parties), accounts payable, and other payables (including related parties) in foreign currencies, and foreign exchange gains and losses arise during translation. If the NTD depreciated or appreciated by 1% against USD as of June 30, 2023 and 2022, with all other variables remaining unchanged, the Group's net income

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

before tax for the six months ended June 30, 2023 and 2022 would have increased or decreased by NT\$2,567,000 and NT\$1,045,000, respectively. The same basis was used for analyses for both periods.

The exchange gains and losses of the Group's monetary items mainly arose from the translation of foreign currency transactions in USD into NTD. As of June 30, 2023, December 31, 2022 and June 30, 2022, the unrealized exchange gains on foreign currency transactions in USD are as follows:

	2023.6.30	2022.12.31	2022.6.30
Unrealized foreign exchange gains \$ at the end of the period	5,954	4,302	2,061
Exchange rate at the end of the period	31.14	30.71	29.72

Please refer to Note 6(2) for information on exchange rate risk of non-monetary foreign currency assets.

4. Fair value information

(1) Financial instruments not at fair value

The Group's management believes that the carrying amounts of financial assets and financial liabilities at amortized cost in the financial statements approximate their fair values.

(2) Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The fair value levels are defined as follows:

- A. Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- B. Level 2: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices) for assets or liabilities.
- C. Level 3: Unobservable inputs for assets or liabilities not based on observable market data (unobservable inputs).

	Carrying amount	2023.6.30 Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss - current:					
Money funds	\$ 60,333	60,333	-	-	60,333
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 19,819	-	-	19,819	19,819

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

Overseas stocks	799,989	799,989	-	-	799,989
	<u>\$ 819,808</u>	<u>799,989</u>	<u>-</u>	<u>19,819</u>	<u>819,808</u>
2022.12.31					
	Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - current:					
Money funds	<u>\$ 20,030</u>	<u>20,030</u>	<u>-</u>	<u>-</u>	<u>20,030</u>
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 19,819	-	-	19,819	19,819
Overseas stocks	<u>1,034,681</u>	<u>1,034,681</u>	<u>-</u>	<u>-</u>	<u>1,034,681</u>
Total	<u>\$ 1,054,500</u>	<u>1,034,681</u>	<u>-</u>	<u>19,819</u>	<u>1,054,500</u>
2022.6.30					
	Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - current:					
Money funds	<u>\$ 120,238</u>	<u>120,238</u>	<u>-</u>	<u>-</u>	<u>120,238</u>
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted (OTC-listed) company shares	\$ 24,683	-	-	24,683	24,683
Overseas stocks	<u>723,731</u>	<u>723,731</u>	<u>-</u>	<u>-</u>	<u>723,731</u>
Total	<u>\$ 748,414</u>	<u>723,731</u>	<u>-</u>	<u>24,683</u>	<u>748,414</u>

There were no transfers of financial assets and liabilities within the fair value hierarchy during the six months ended June 30, 2023 and 2022.

(3) Fair value valuation techniques for financial instruments at fair value

When the quoted market price of a financial instrument is available, the price shall be adopted as the fair value.

There are standard terms and conditions for the money funds and overseas listed stocks held by the Group, and such funds and stocks are traded in active markets; thus, the fair values thereof are determined as per the quoted market prices.

Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Company refers to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using models based on the market information available at the balance sheet date.

The fair values of the unlisted stocks held by the Group without active markets are mainly valued using the income approach based on a discounted cash flow model.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

It is mainly assumed that the expected future cash flow from the investees will be discounted and measured at the return on investment that reflects the time value of money and investment risk.

- (4) Quantitative information on measurement of significant unobservable fair value input (Level 3)

The Group's financial instruments at fair value and classified as Level 3 are financial assets at fair value through other comprehensive income - unlisted stocks.

Quantitative information on significant unobservable inputs is listed as follows:

Item	Valuation technique	Significant unobservable input	Relations between significant unobservable input and fair value
Financial assets at fair value through other comprehensive income - unlisted stocks	Discounted cash flow method	· Cost of equity capital (7.56%, 7.56%, and 8.55% as at June 30, 2023, December 31, 2022 and June 30, 2022, respectively)	· The higher the cost of equity capital, the lower the fair value

- (5) Analysis of sensitivity of Level 3 fair value to reasonably possible alternative assumptions

The measurement of fair values of financial instruments by the Group is reasonable, but the use of different valuation models or valuation parameters may result in different valuation results. For financial instruments classified as Level 3, if the valuation parameters change, the effect on other comprehensive income in this period is as follows:

			Changes in fair value reflected in other comprehensive income	
		Increase or decrease change	Favorable change	Unfavorable change
<u>Input</u>				
June 30, 2023				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>\$ 126</u>	<u>124</u>
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>126</u>	<u>124</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

June 30, 2022

Financial assets at fair
value through other
comprehensive income

Unlisted stocks	Cost of equity capital	0.25%	\$ <u>156</u>	<u>154</u>
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The Group's favorable and unfavorable changes refer to the fluctuations of fair values, and fair values are calculated with the valuation techniques based on different unobservable inputs. If the fair value of a financial instrument is affected by more than one input, the above table only reflects the effect of changes in a single input without taking into account the correlation and variability between the inputs.

(XIX) Financial risk management

There is no significant difference between the Group's financial risk management goals and policies and those disclosed in Note 6 (20) to the 2022 consolidated financial statements.

(XX) Capital management

The Group's capital management goals, policies, and procedures are consistent with those disclosed in the 2022 consolidated financial statements. There was no significant difference between the aggregate quantitative data on items under capital management and those disclosed in the 2022 consolidated financial statements. Please refer to Note 6(21) to the 2022 consolidated financial statements for relevant information.

(XXI) Non-cash transactions in investing and financing activities

1. Please refer to Note 6(6) for details of right-of-use assets acquired by way of leasing
2. The reconciliation of liabilities from financing activities is as follows:

	2023.1.1	Cash flows	Non-cash changes		2023.6.30
			Additions	Effect of exchange rate changes	
Lease liabilities	\$ 49,896	(16,265)	30,593	(1)	64,223
Total liabilities from financing activities	<u>\$ 49,896</u>	<u>(16,265)</u>	<u>30,593</u>	<u>(1)</u>	<u>64,223</u>

	2022.1.1	Cash flows	Non-cash changes		2022.6.30
			Additions	Decrease	
Long-term borrowings (including the current portion)	\$ 1,751	(1,051)	-	-	700
Lease liabilities	51,527	(15,350)	17,699	(6,156)	47,720
Total liabilities from financing activities	<u>\$ 53,278</u>	<u>(16,401)</u>	<u>17,699</u>	<u>(6,156)</u>	<u>48,420</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

VII. Related-Party Transactions

(I) Name of related party and relations

The related parties with transactions with the Group during the period covered by these consolidated financial statements are as follows:

<u>Name of related party</u>	<u>Relations with the Group</u>
Roda Computer GmbH	The Group is one of the company's three shareholders
Chou, Yung-Hsiang	One of the Group's key management personnel

(II) Significant Transactions between Related Parties

1. Operating revenue

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Other related parties				
Roda Computer GmbH	\$ 165,535	71,116	236,596	90,836

The transaction prices of the Group's sales to related parties are not significantly different to regular clients as some product specifications are different and there is no general transaction price available for comparison. In addition, the credit period is about 45 days after the goods are received, which is not significantly different from general transactions.

2. Accounts receivable from related parties

	2023.6.30	2022.12.31	2022.6.30
Other related parties			
Roda Computer GmbH	\$ 129,101	11,683	32,114

3. Contract liabilities with related party (under contract liabilities)

	2023.6.30	2022.12.31	2022.6.30
Other related parties			
Roda Computer GmbH	\$ 56,569	53,593	68,776

**Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)**

4. Repair and maintenance and other operating revenue

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Other related parties				
Roda Computer GmbH	\$ <u>525</u>	<u>1,361</u>	<u>2,999</u>	<u>2,093</u>

All receivables from the above transactions have been received.

5. Technical service fees, repair and maintenance fees, and other payables

	Technical service fees, repair and maintenance fees, and others				Other payables to related parties		
	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022	2023.6.30	2022.12.31	2022.6.30
Other related parties	\$ <u>110</u>	<u>212</u>	<u>515</u>	<u>52</u>	<u>-</u>	<u>2,010</u>	<u>107</u>

6. Equity transaction

On March 6, 2023, the Group sold 7.6% equity in the subsidiary, Flexbasis, to Chou, Yung-Hsiang for NT\$5,040,000 in cash. Said transaction payment was already received.

(III) Remuneration to key management personnel

Remuneration to key management personnel includes:

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Short-term employee benefits	\$ 5,114	3,272	9,710	7,024
Post-employment benefits	<u>75</u>	<u>27</u>	<u>149</u>	<u>54</u>
	<u>\$ 5,189</u>	<u>3,299</u>	<u>9,859</u>	<u>7,078</u>

VIII. Assets pledged

The details of the book values of the assets pledged by the Group are as follows:

Name of asset	Item pledged as collateral	2023.6.30	2022.12.31	2022.6.30
Time deposit (under "other non-current assets")	Customs guarantee	\$ 200	200	200
Property, plant and equipment	Borrowings from non-financial institutions	<u>-</u>	<u>-</u>	<u>5,977</u>
		<u>\$ 200</u>	<u>200</u>	<u>6,177</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries
(Continued)

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments: None.

X. Major Disaster Losses: None.

XI. Material Events After the Balance Sheet Date: None.

XII. Others

- (I) Employee benefits and depreciation and amortization expense are summarized by function as follows:

By function By nature	For the Three Months Ended June 30, 2023			For the Three Months Ended June 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary and wages	27,840	45,458	73,298	19,774	41,429	61,203
Labor and health insurance	2,087	4,182	6,269	1,844	3,712	5,556
Pension	1,008	2,066	3,074	909	2,010	2,919
Other employee benefits	220	567	787	211	608	819
Depreciation expense	5,605	7,587	13,192	4,635	7,013	11,648
Amortization expense	527	804	1,331	303	1,034	1,337

By function By nature	For the Six Months Ended June 30, 2023			For the Six Months Ended June 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary and wages	47,637	79,701	127,338	36,179	75,439	111,618
Labor and health insurance	4,086	7,959	12,045	3,747	7,728	11,475
Pension	1,950	4,075	6,025	1,802	4,074	5,876
Other employee benefits	425	1,130	1,555	382	1,065	1,447
Depreciation expense	10,697	15,196	25,893	9,299	14,687	23,986
Amortization expense	1,044	1,670	2,714	522	2,085	2,607

- (II) Seasonality of operations

The Group's operations are not materially affected by seasonal or cyclical factors.

XIII. Additional Disclosures

- (I) Information on Material Transactions

The material transactions during the six months ended June 30, 2023 the Group needs to disclose in accordance with the Regulations Governing the Preparation of Financial Reports

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

by Securities Issuers are as follows:

1. Loans to Others: None.
2. Endorsements/Guarantees provided to others: None.
3. Securities Held at the End of the Period (Excluding Investments in Subsidiaries, Associates, and Joint Ventures):

Unit: In thousands of shares/thousands of units/thousands of NTD

Company	Type and name of securities held	Relations with the securities issuer	Account	End of the period				Remark
				Number of shares	Carrying amount	Shareholding	Fair value/Net worth	
The Company	Shares of Roda Computer GmbH	The Company is one of the company's three shareholders	Financial assets at fair value through other comprehensive income - non-current	8	18,819	8.00%	18,819	
The Company	Shares of Alliance Technology Co., Ltd.	-	"	100	1,000	0.79%	1,000	
The Company	Shares of MilDef Group AB		"	4,256	799,989	10.68%	799,989	
The Company	UPAMC James Bond Money Market Fund		Financial assets at fair value through profit or loss - current	1,179	20,090	-	20,090	
The Company	Hua Nan Phoenix Money Market Fund		"	1,213	20,152	-	20,152	
The Company	Jih Sun Money Market Fund		"	1,325	20,091	-	20,091	

4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT\$300 Million or 20% of the Paid-in Capital: None.
5. Acquisition of Individual Property at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital: None.
6. Disposal of Individual Property at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital: None.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

7. The amount of goods purchased or sold with related parties amounts to NT \$100 million or 20% or more of the paid-in capital:

Unit: NT \$1000

Buyer/Seller	Counterparty	Relationships	Transaction details				Situation and reason why transaction conditions are different from general trading		Notes and accounts receivable (payable)		Remark
			Purchases (sales)	Amount	As a percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Roda Computer GmbH	The Company is one of the company's three shareholders	Sale of goods	236,596	17.90 %	貨到45天	-	-	129,101	66.96%	

8. Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital:

Unit: NT \$1000

Companies listed in accounts receivable	Counterparty	Relationships	Balance of accounts receivables from related parties	Turnover	Overdue accounts receivables from related parties		Amount recovered after the due date of accounts receivables from related parties	Provision for loss allowance
					Amount	Treatment Method		
The Company	Roda Computer GmbH	The Company is one of the company's three shareholders	129,101	3.36	-		-	-

9. Trading in Derivative Instruments: None.

10. Business Relations and Important Transactions Between Parent Company and Subsidiaries:

Unit: NT \$1000

No. (Note 1)	Name of trader	Transaction counterparty	Relationship with transaction counterparty (Note 2)	Transaction details			
				Account	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets (%)
0	The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	1	Accounts receivable	13,690	Delivered in 45 days.	0.41
0	The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	1	Sales income	14,904	Delivered in 45 days.	1.13
1	Flexbasis	The Company	2	Accounts receivable	4,757	Net 60 days end of the following month	0.14
1	Flexbasis	The Company	2	Sales income	57,795	Net 60 days end of the following month	4.38
2	MILDEF CRETE AUSTRALASIA PTY. LTD.	The Company	2	Sales income	20	Net 60 days end of the following month	-

Note 1: Businesses are coded as follows:

- The parent company is coded "1.0".
- The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: The types of relations with the counterparty are indicated as follows:

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

1. Parent company to subsidiary

2. Subsidiary to parent company

Note 3: The above transactions were eliminated in the preparation of consolidated financial statements.

(II) Information on Investees:

The information on the Group's investees during the six months ended June 30, 2023 is as follows:

Name of investor	Name of investee	Location	Main business	Initial investment amount		End of the period			Gain or loss on investee in this period	Investment income or loss recognized in this period	Remark
				End of this period	End of last year	Number of shares	Percentage	Carrying amount			
The Company	Flexbasis Technology Inc.	New Taipei City	Manufacturing	24,054	27,208	2,136	57.73%	28,497	16,938	8,473	(Note)
The Company	MILDEF CRETE AUSTRALASIA PTY. LTD.	Australia	Trade	12,548	-	600	100.00%	11,129	(1,248)	(1,248)	(Note)

Unit: In thousands of shares/thousands of NTD

Note: It has been eliminated in the consolidated financial statements.

(III) Information on Investment in Mainland China: None.

(IV) Information on Major Shareholders:

Name of major shareholder	Shares	Number of shares held	Shareholding
Yi- Tong Shen		3,126,244	5.32%

Note: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares with registration of dematerialized securities completed (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's financial statements may differ from the actual number of shares with registration of dematerialized securities completed as a result of different bases of preparation.

XIV. Segment Information

The Group mainly engages in the production and sales of various computer software, hardware, and peripherals. The operating financial information provided to the operating decision makers for review covers a single segment, and the accounting policies adopted by the Group's operating segment are consistent with the summary of significant accounting policies described in Note 4. The operating segment's income or loss is measured based on the operating income or loss before tax, which serves as the basis for evaluating performance. The segment's revenue, income or loss, and total assets under the Group are consistent with those in presented in the financial statements. Please refer to the consolidated balance sheet and the consolidated statements of comprehensive income.